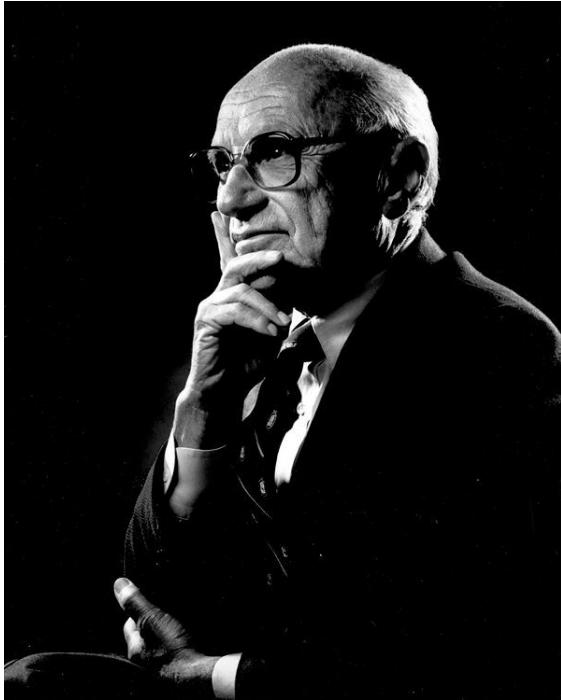
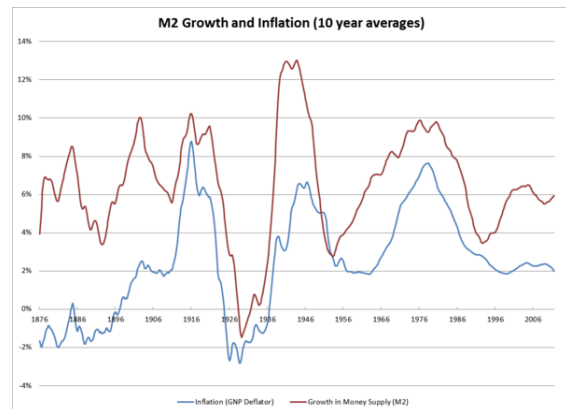


Milton Friedman



markets and a reduction in the size of government. In 1976 he was awarded a Nobel Prize in Economics.

1 Quotes



Inflation is always and everywhere a monetary phenomenon.

The society that puts equality before freedom will end up with neither. The society that puts freedom before equality will end up with a great measure of both.



Underlying most arguments against the free market is a lack of belief in freedom itself.

Milton Friedman (31 July 1912 – 16 November 2006) was an American economist noted for his support for free

- If we are to use effectively these abstract models and this descriptive material, we must have a comparable exploration of the criteria for determining what abstract model it is best to use for particular kinds of problems, what entities in the abstract model are to be identified with what observable entities, and what features of the problem or of the circumstances have the greatest effect on the accuracy of the predictions yielded by a particular model or theory.
 - “The Methodology of Positive Economics” (1953)
- The construction of hypotheses is a creative act of inspiration, intuition, invention; its essence is the vision of something new in familiar material. The process must be discussed in psychological, not logical, categories; studied in autobiographies and biographies, not treatises on scientific method; and promoted by maxim and example, not syllogism or theorem.
 - “The Methodology of Positive Economics” (1953)
- Over the period covered by these data, a drastic change has occurred in the responsibilities undertaken by the state to provide assistance to the aged,

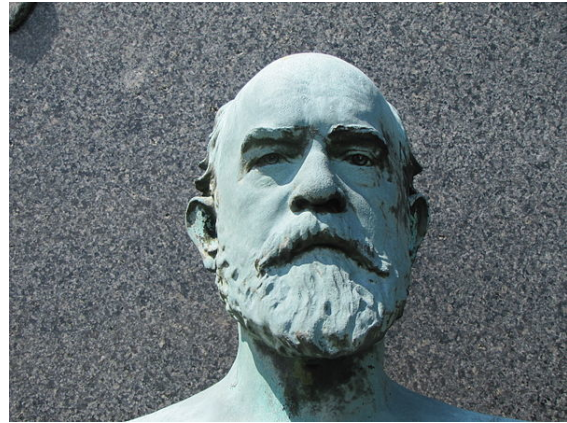


Unanimity is not always feasible. There are some respects in which conformity appears unavoidable, so I do not see how one can avoid the use of the political mechanism altogether.



The maintenance of a free society is a very difficult and complicated thing and it requires a self-denying ordinance of the most extreme kind.

unemployed and otherwise dependent. This change has had divergent results on the particular data under discussion. The availability of assistance from



In my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George argument of many, many years ago.

the state would clearly tend to reduce the need for private reserves and so to reduce private saving—it is equivalent, in terms of our hypothesis, to a reduction in the variance of transitory components.

- *A Theory of the Consumption Function* (1957)
- The contraction from 1929 to 1933 was by far the most severe business-cycle contraction during the near-century of U.S. history we cover and it may well have been the most severe in the whole of U.S. history.
 - “The Great Contraction, 1929-1933” (1963), with *Anna Schwartz*
- **I am convinced that the minimum-wage law is the most anti-Negro law on our statute books—in its effect, not its intent.**
 - *An Economist’s Protest: Columns in Political Economy* (1966), p. 163
- **Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.** ... A steady rate of monetary growth at a moderate level can provide a framework under which a country can have little inflation and much growth. It will not produce perfect stability; it will not produce heaven on earth; but it can make an important contribution to a stable economic society.
 - *The Counter-Revolution in Monetary Theory* (1970)

- **On the level of political principle, the imposition of taxes and the expenditure of tax proceeds are governmental functions.** We have established

elaborate constitutional, parliamentary and judicial provisions to control these functions, to assure that taxes are imposed so far as possible in accordance with the preferences and desires of the public — after all, “taxation without representation” was one of the battle cries of the American Revolution. We have a system of checks and balances to separate the legislative function of imposing taxes and enacting expenditures from the executive function of collecting taxes and administering expenditure programs and from the judicial function of mediating disputes and interpreting the law.

Here the **businessman** — self-selected or appointed directly or indirectly by stockholders — is to be simultaneously legislator, executive and, jurist. He is to decide whom to tax by how much and for what purpose, and he is to spend the proceeds — all this guided only by general exhortations from on high to restrain inflation, improve the environment, fight poverty and so on and on.

- “The Social Responsibility of Business is to Increase its Profits” in *The New York Times Magazine* (13 September 1970)
- **The way you solve things is by making it politically profitable for the wrong people to do the right thing.**
 - About changing congress
- The political principle that underlies the **market** mechanism is unanimity. In an ideal free market resting on private property, no individual can coerce any other, all cooperation is voluntary, all parties to such cooperation benefit or they need not participate. There are no values, no “social” responsibilities in any sense other than the shared values and responsibilities of individuals. Society is a collection of individuals and of the various groups they voluntarily form.

The political principle that underlies the political mechanism is conformity. The individual must serve a more general social interest — whether that be determined by a church or a dictator or a majority. The individual may have a vote and say in what is to be done, but if he is overruled, he must conform. It is appropriate for some to require others to contribute to a general social purpose whether they wish to or not.

Unfortunately, unanimity is not always feasible. There are some respects in which conformity appears unavoidable, so I do not see how one can avoid the use of the political mechanism altogether.

 - “The Social Responsibility of Business is to Increase its Profits” in *The New York Times Magazine* (13 September 1970)

- There was nothing in these views to repel a student; or to make **Keynes** attractive. Keynes had nothing to offer those of us who had sat at the feet of **Simons, Mints, Knight, and Viner.**
 - Milton Friedman, “Comments on the Critics”, *Journal of Political Economy*, Vol. 80, No. 5 (Sep. - Oct., 1972)
- How much attention is paid to agreement between **Galbraith** and myself in opposing a draft and favoring an all-volunteer armed force, or in opposing tariffs and favoring free trade, or on a host of other issues? What is newsworthy is that Galbraith endorses wage and price controls, while I oppose them.
 - A 1973 Interview with Milton Friedman – Playboy Magazine
- Although I wish the **anarchists** luck, since that’s the way we ought to be moving now. But I believe we need government to enforce the rules of the game. By prosecuting anti-trust violations, for instance. We need a government to maintain a system of courts that will uphold contracts and rule on compensation for damages. We need a government to ensure the safety of its citizens—to provide police protection. But government is failing at a lot of these things that it ought to be doing because it’s involved in so many things it shouldn’t be doing.
 - A 1973 Interview with Milton Friedman – Playboy Magazine
- So the question is, do *corporate executives*, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no they do not.
 - Interview “Milton Friedman Responds” in *Chemtech* (February 1974) p. 72.
- **The problem in this world is to avoid concentration of power - we must have a dispersion of power.**
 - Milton Friedman - Big Business, Big Government
- **I think the government solution to a problem is usually as bad as the problem and very often makes the problem worse.**
 - *An Economist’s Protest* (1975), p. 6; often quoted as “The government solution to a problem is usually as bad as the problem.”

- **I want people to take thought about their condition and to recognize that the maintenance of a free society is a very difficult and complicated thing and it requires a self-denying ordinance of the most extreme kind.** It requires a willingness to put up with temporary evils on the basis of the subtle and sophisticated understanding that if you step in to do something about them you not only may make them worse, you will spread your tentacles and get bad results elsewhere.
 - Interview with Richard Heffner on *The Open Mind* (7 December 1975)
- **I say thank God for government waste. If government is doing bad things, it's only the waste that prevents the harm from being greater.**
 - Interview with Richard Heffner on *The Open Mind* (7 December 1975)
- **If we have system in which government is in a position to give large favor - it's human nature to try to get this favor - whether those people are large enterprises, or whether they're small businesses like farmers, or whether they're representatives of any other special group. The only way to prevent that is to force them to engage in competition one with the other.**
 - Milton Friedman - Big Business, Big Government
- **One of the great mistakes is to judge policies and programs by their intentions rather than their results.**
 - Interview with Richard Heffner on *The Open Mind* (7 December 1975)
- In this day and age, we need to revise the old saying to read, "**Hell hath no fury like a bureaucrat scorned.**"
 - "Bureaucracy Scorned" in *Newsweek* (29 December 1975), later published in *Bright Promises, Dismal Performance : An Economist's Protest* (1983)
- **There's a sense in which all taxes are antagonistic to free enterprise ... and yet we need taxes.** We have to recognize that we must not hope for a Utopia that is unattainable. I would like to see a great deal less government activity than we have now, but I do not believe that we can have a situation in which we don't need government at all. We do need to provide for certain essential government functions — the national defense function, the police function, preserving law and order, maintaining a judiciary.
 - As quoted in *The Times Herald*, Norristown, Pennsylvania (1 December 1978)
- **They think that the cure to big government is to have bigger government... the only effective cure is to reduce the scope of government - get government out of the business.**
 - Milton Friedman - Big Business, Big Government
- Industrial progress, mechanical improvement, all of the great wonders of the modern era have meant little to the wealthy. The rich in ancient Greece would have benefited hardly at all from modern plumbing — running servants replaced running water. Television and radio — the patricians of Rome could enjoy the leading musicians and actors in their home, could have the leading artists as domestic retainers. Ready-to-wear clothing, supermarkets — all these and many other modern developments would have added little to their life. They would have welcomed the improvements in transportation and in medicine, but for the rest, the great achievements of western capitalism have rebounded primarily to the benefit of the ordinary person. These achievements have made available to the masses conveniences and amenities that were previously the exclusive prerogative of the rich and powerful.
 - *Free to Choose* (1980) p. 148
- **There is no place for government to prohibit consumers from buying products the effect of which will be to harm themselves.**
 - From *Who protects the consumer?*, an episode of the PBS *Free to Choose* television series (1980, vol. 7 transcript)
- "The strongest argument for free enterprise is that it prevents anybody from having too much power. Whether that person is a government official, a trade union official, or a business executive. If forces them to put up or shut up. They either have to deliver the goods, produce something that people are willing to pay for, are willing to buy, or else they have to go into a different business."
 - From *The Tyranny of Control*, an episode of the PBS *Free to Choose* television series (1980, vol. 2 transcript)
- **Governments never learn. Only people learn.**

- Statement made in 1980, as quoted in *The Cynic's Lexicon : A Dictionary Of Amoral Advice* (1984), by Jonathon Green, p. 77
- **With some notable exceptions, businessmen favor free enterprise in general but are opposed to it when it comes to themselves.**
 - Lecture “The Suicidal Impulse of the Business Community” (1983); cited in *Filters Against Folly* (1985) by Garrett Hardin ISBN 067080410X
- The broader and more influential organisations of businessmen have acted to undermine the basic foundation of the free market system they purport to represent and defend.
 - Lecture “The Suicidal Impulse of the Business Community” (1983); cited in *Filters Against Folly* (1985) by Garrett Hardin
- **Every friend of freedom... must be as revolted as I am by the prospect of turning the United States into an armed camp, by the vision of jails filled with casual drug users and of an army of enforcers empowered to invade the liberty of citizens on slight evidence.**
 - “An Open Letter to Bill Bennett” in *The Wall Street Journal* (7 September 1989)
- Spending by government currently amounts to about 45 percent of national income. By that test, government owns 45 percent of the means of production that produce the national income. The U.S. is now 45 percent socialist.
 - Article “We Have Socialism, Q.E.D.” in *The New York Times* (31 December 1989)
- **Society doesn't have values. People have values.**
 - From *Created Equal*, an episode of the PBS *Free to Choose* television series (1980, vol. 5 transcript).
- **The society that puts equality before freedom will end up with neither. The society that puts freedom before equality will end up with a great measure of both.**
 - From *Created Equal*, an episode of the PBS *Free to Choose* television series (1980, vol. 5 transcript).
- So far, twenty-two people have received the Nobel award in economics. Not one of them has been female—so, to judge only from the past, the most important thing to do if you want to be a Nobel laureate is to be male. I hasten to add that the absence of females is not, I believe, attributable to male chauvinist bias on the part of the Swedish Nobel Committee. I believe that the economics profession as a whole would have been nearly unanimous that, during the period in question, only one female candidate met the relevant standards—the English economist **Joan Robinson**, who has since died. The failure of the Nobel Committee to award her a prize may well have reflected bias but not sex bias. The economists here will understand what I am talking about. ... A second requirement is to be a U.S. citizen. Twelve of the twenty-two recipients of the Nobel Prize were from the United States, four from the United Kingdom, two from Sweden, and one each from four other countries. ... Of the twelve Americans who have won the Nobel Prize in economics, nine either studied or taught at the University of Chicago. So the next lesson is to go to the University of Chicago.
 - “Milton Friedman” in William Breit and Roger W. Spencer (ed.) *Lives of the laureates*
- The term money has two very different meanings in popular discourse. We often speak of someone “making money,” when we really mean that he or she is receiving an income. We do not mean that he or she has a printing press in the basement churning out greenbacked pieces of paper. In this use, money is a synonym for income or receipts; it refers to a flow, to income or receipts per week or per year. We also speak of someone’s having money in his or her pocket or in a safe-deposit box or on deposit at a bank. In that use, money refers to an asset, a component of one’s total wealth. Put differently, the first use refers to an item on a profit-and-loss statement, the second to an item on a balance sheet
 - *Money Mischief* (1992), Ch. 2 The Mystery of Money
- One reason why money is a mystery to so many is the role of myth or fiction or convention.
 - *Money Mischief* (1992), Ch. 2 The Mystery of Money
- Why should they also be accepted by private persons in private transactions in exchange for goods and services? The short answer—and the right answer—is that private persons accept these pieces of paper because they are confident that others will. The pieces of green paper have value because everybody thinks they have value. Everybody thinks they have value because in everybody’s experience they have had value...

- *Money Mischief* (1992), Ch. 2 The Mystery of Money
- Analysis of the supply of money, and in particular of changes in the supply of money, is simple in principle but extremely complex in practice, both in our hypothetical world and in the current real world. Simple in principle, because the supply of money is whatever the monetary authorities make it, complex in practice, because the decisions of the monetary authorities depend on numerous factors.
 - *Money Mischief* (1992), Ch. 2 The Mystery of Money
- For both long and short periods there is a consistent though not precise relation between the rate of growth of the quantity of money and the rate of growth of nominal income. If the quantity of money grows rapidly, so will nominal income, and conversely. The relation is much closer for long than for short periods
 - *Money Mischief* (1992), Ch. 2 The Mystery of Money
- Over short periods, the relation between growth in money and growth in nominal income is often hard to see, partly because the relation is less close for short than for long periods, but mostly because it takes time for changes in monetary growth to affect income. And how long a time is itself variable. Today's income growth is not closely related to today's monetary growth; it depends on what has been happening to money in the past. What happens to money today affects what is going to happen to income in the future
 - *Money Mischief* (1992), Ch. 2 The Mystery of Money
- The great virtue of a **free market system** is that it does not care what color people are; it does not care what their religion is; it only cares whether they can produce something you want to buy. **It is the most effective system we have discovered to enable people who hate one another to deal with one another and help one another.**
 - "Why Government Is the Problem" (February 1, 1993), p. 19
- The stock of money, prices and output was decidedly more unstable after the establishment of the Reserve System than before. The most dramatic period of instability in output was, of course, the period between the two wars, which includes the severe (monetary) contractions of 1920-1, 1929-33, and 1937-8. No other 20 year period in American history contains as many as three such severe contractions.

This evidence persuades me that at least a third of the price rise during and just after World War I is attributable to the establishment of the Federal Reserve System... and that the severity of each of the major contractions — 1920-1, 1929-33 and 1937-8 is directly attributable to acts of commission and omission by the Reserve authorities...

Any system which gives so much power and so much discretion to a few men, [so] that mistakes — excusable or not — can have such far reaching effects, is a bad system. It is a bad system to believers in freedom just because it gives a few men such power without any effective check by the body politic — this is the key political argument against an independent central bank...

To paraphrase Clemenceau, money is much too serious a matter to be left to the central bankers.

 - As quoted in *The Money Masters* (1995)
- I know of no severe depression, in any country or any time, that was not accompanied by a sharp decline in the stock of money and equally of no sharp decline in the stock of money that was not accompanied by a severe depression.
 - As quoted in *The Money Masters* (1995)
- The Federal Reserve definitely caused the Great Depression by contracting the amount of money in circulation by one-third from 1929 to 1933
 - *National Public Radio* interview (Jan 1996)
- Joan Robinson, a leading Keynesian and radical, produced a specimen for me to analyze. I said something like, "This is obviously the writing of a forger, so it's difficult for me to analyze. But I would say it is written by someone who had considerable artistic but not much intellectual talent." It turned out to be the handwriting of Lydia Lopokova, the world-famous Russian ballerina whom Keynes had married. **That was surely my greatest triumph of the year at Cambridge!**
 - *Two Lucky People*
- There's a smokestack on the back of every government program.
 - Interview (10 February 1999) in the video production *Take It To The Limits: Milton Friedman on Libertarianism.*
- **The unions might be good for the people who are in the unions but it doesn't do a thing for the**



One of the great mistakes is to judge policies and programmes by their intentions rather than their results.

people who are unemployed. Because the union keeps down the number of jobs, it doesn't do a thing for them.

- Interview with Brian Lamb, *In Depth Book TV* (2000)
- I think it is only because capitalism has proved so enormously more efficient than alternative methods that it has survived at all. (...) I'm not sure capitalism is the right word. There is a sense in which every society is capitalist. The Soviet Union was capitalist, but it was state capitalism. Latin American societies in the past have been capitalist, but it has been oligarchic capitalism. So what we really need to talk about is not capitalism but free market or competitive capitalism which is the system that we would like to have adopted, not just capitalism.
 - Interview with Parker in Randall E. Parker(ed.), *Reflection on the Great Depression* (2002)
- The use of quantity of money as a target has not been a success. I'm not sure that I would as of today push it as hard as I once did.
 - *Financial Times* [UK] (7 June 2003)
- There are four ways in which you can spend money. You can spend your own money on yourself. When you do that, why then you really watch out what you're doing, and you try to get the most for your money. Then you can spend your own money on somebody else. For example, I buy a birthday present for someone. Well, then I'm not so careful about the content of the present, but I'm very careful about the cost. Then, I can spend somebody else's money on myself. And if I spend somebody else's money on myself, then I'm sure going to have a good lunch! **Finally, I can spend somebody else's money on somebody else. And if I spend somebody else's money on somebody else, I'm not concerned about how much it is, and I'm not con-**

cerned about what I get. And that's government. And that's close to 40% of our national income.

- *Fox News* interview (May 2004)
- **I am a libertarian with a small "l" and a Republican with a capital "R"**. And I am a Republican with a capital "R" on grounds of expediency, not on principle.
 - *Charlie Rose Show* (November 2005)
- **You must distinguish sharply between being pro free enterprise and being pro business.**
 - Milton Friedman - *Big Business, Big Government*
- **I am in favor of cutting taxes under any circumstances and for any excuse, for any reason, whenever it's possible.** ... because I believe the big problem is not taxes, the big problem is spending. I believe our government is too large and intrusive, that we do not get our money's worth for the roughly 40 percent of our income that is spent by government ... How can we ever cut government down to size? I believe there is one and only one way: the way parents control spendthrift children, cutting their allowance. For government, that means cutting taxes.
 - As quoted in *Conservatives Betrayed : How George W. Bush and other big government Republicans hijacked the conservative cause* (2006) by Richard A Viguerie, p. 46
- **Keynes was a great economist.** In every discipline, progress comes from people who make hypotheses, most of which turn out to be wrong, but all of which ultimately point to the right answer. Now Keynes, in *The General Theory of Employment, Interest and Money*, set forth a hypothesis which was a beautiful one, and it really altered the shape of economics. But it turned out that it was a wrong hypothesis. That doesn't mean that he wasn't a great man!
 - As quoted in *Opinion Journal* (22 July 2006)
- **Thanks to economists, all of us, from the days of Adam Smith and before right down to the present, tariffs are perhaps one tenth of one percent lower than they otherwise would have been. ... And because of our efforts, we have earned our salaries ten-thousand fold.**
 - Speaking at a meeting of the American Economic Association, as quoted by Walter Block in "Milton Friedman RIP" in *Mises Daily* (16 November 2006)

- If a tax cut increases government revenues, you haven't cut taxes enough.
 - As quoted in "Milton Friedman's Last Lunch" at Forbes.com (11 December 2006)
- **The true test of any scholar's work is not what his contemporaries say, but what happens to his work in the next 25 or 50 years.** And the thing that I will really be proud of is if some of the work I have done is still cited in the text books long after I am gone.
 - As quoted in *The Power of Choice* (January 2007)
- **I'm in favor of legalizing drugs. According to my values system, if people want to kill themselves, they have every right to do so. Most of the harm that comes from drugs is because they are illegal.**
 - As quoted in *If Ignorance Is Bliss, Why Aren't There More Happy People?* (2009) by John Mitchinson, p. 87

1.1 *Capitalism and Freedom* (1962)

- **To the free man, the country is the collection of individuals who compose it, not something over and above them.** He is proud of a common heritage and loyal to common traditions. But he regards government as a means, an instrumentality, neither a grantor of favors and gifts, nor a master or god to be blindly worshipped and served.
 - Introduction
- **The free man will ask neither what his country can do for him nor what he can do for his country. He will ask rather "What can I and my compatriots do through government" to help us discharge our individual responsibilities, to achieve our several goals and purposes, and above all, to protect our freedom?** And he will accompany this question with another: How can we keep the government we create from becoming a Frankenstein that will destroy the very freedom we establish it to protect? Freedom is a rare and delicate plant. **Our minds tell us, and history confirms, that the great threat to freedom is the concentration of power. Government is necessary to preserve our freedom, it is an instrument through which we can exercise our freedom; yet by concentrating power in political hands, it is also a threat to freedom. Even though the men who wield this power initially be of good will and even though they be not corrupted by the power they exercise, the power will both attract and form men of a different stamp.**
 - Introduction
 - There is enormous inertia—a tyranny of the status quo—in private and especially governmental arrangements. **Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.** That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.
 - Preface (1982 edition), p. ix
 - **Because we live in a largely free society, we tend to forget how limited is the span of time and the part of the globe for which there has ever been anything like political freedom: the typical state of mankind is tyranny, servitude, and misery.** The nineteenth century and early twentieth century in the Western world stand out as striking exceptions to the general trend of historical development. Political freedom in this instance clearly came along with the free market and the development of capitalist institutions. So also did political freedom in the golden age of Greece and in the early days of the Roman era. **History suggests only that capitalism is a necessary condition for political freedom. Clearly it is not a sufficient condition.**
 - Ch. 1 The Relation Between Economic Freedom and Political Freedom, 2002 edition, page 10
 - **Political freedom means the absence of coercion of a man by his fellow men. The fundamental threat to freedom is power to coerce, be it in the hands of a monarch, a dictator, an oligarchy, or a momentary majority. The preservation of freedom requires the elimination of such concentration of power to the fullest possible extent and the dispersal and distribution of whatever power cannot be eliminated — a system of checks and balances.**
 - Ch. 1 The Relation Between Economic Freedom and Political Freedom
 - As liberals, we take freedom of the individual, or perhaps the family, as our ultimate goal in judging social arrangements. Freedom as a value in this sense has to do with the interrelations among people
 - Ch. 1 The Relation Between Economic Freedom and Political Freedom
 - The liberal conceives of men as imperfect beings. He regards the problem of social organization to be as much a negative problem of preventing "bad" people from doing harm as of enabling

- “good” people to do good; and, of course, “bad” and “good” people may be the same people, depending on who is judging them.
- Ch. 1 The Relation Between Economic Freedom and Political Freedom
- The basic problem of social organization is how to co-ordinate the economic activities of large numbers of people.
 - Ch. 1 The Relation Between Economic Freedom and Political Freedom
 - Fundamentally, there are only two ways of coordinating the economic activities of millions. One is central direction involving the use of coercion—the technique of the army and of the modern totalitarian state. The other is voluntary co-operation of individuals—the technique of the market place.
 - Ch. 1 The Relation Between Economic Freedom and Political Freedom
 - **The existence of a free market does not of course eliminate the need for government.** On the contrary, government is essential both as a forum for determining the “rule of the game” and as an umpire to interpret and enforce the rules decided on.
 - Ch. 1 The Relation Between Economic Freedom and Political Freedom, 2002 edition, page 15
 - **A major source of objection to a free economy is precisely that it ... gives people what they want instead of what a particular group thinks they ought to want. Underlying most arguments against the free market is a lack of belief in freedom itself.**
 - Ch. 1 The Relation Between Economic Freedom and Political Freedom, 2002 edition, page 15
 - The widespread use of the market reduces the strain on the social fabric by rendering conformity unnecessary with respect to any activities it encompasses. The wider the range of activities covered by the market, the fewer are the issues on which explicitly political decisions are required and hence on which it is necessary to achieve agreement. In turn, the fewer the issues on which agreement is necessary, the greater is the likelihood of getting agreement while maintaining a free society.
 - Ch. 2 The Role of Government in a Free Society
- The need for government in these respects arises because absolute freedom is impossible. However attractive anarchy may be as a philosophy, it is not feasible in a world of imperfect men.
 - Ch. 2 The Role of Government in a Free Society
 - The organization of economic activity through voluntary exchange presumes that we have provided, through government, for the maintenance of law and order to prevent coercion of one individual by another, the enforcement of contracts voluntarily entered into, the definition of the meaning of property rights, the interpretation and enforcement of such rights, and the provision of a monetary framework.
 - Ch. 2 The Role of Government in a Free Society
 - Freedom is a tenable objective only for responsible individuals. We do not believe in freedom for madmen or children. The necessity of drawing a line between responsible individuals and others is inescapable, yet it means that there is an essential ambiguity in our ultimate objective of freedom. Paternalism is inescapable for those whom we designate as not responsible.
 - Ch. 2 The Role of Government in a Free Society
 - A government which maintained law and order, defined property rights, served as a means whereby we could modify property rights and other rules of the economic game, adjudicated disputes about the interpretation of the rules, enforced contracts, promoted competition, provided a monetary framework, engaged in activities to counter technical monopolies and to overcome neighborhood effects widely regarded as sufficiently important to justify government intervention, and which supplemented private charity and the private family in protecting the irresponsible, whether madman or child—such a government would clearly have important functions to perform. The consistent liberal is not an anarchist.
 - Ch. 2 The Role of Government in a Free Society
 - A liberal is fundamentally fearful of concentrated power. His objective is to preserve the maximum degree of freedom for each individual separately that is compatible with one man’s freedom not interfering with other men’s freedom. He believes that this objective requires that power be dispersed. He is suspicious of assigning to government any functions that can be performed through the market, both

because this substitutes coercion for voluntary cooperation in the area in question and because, by giving government an increased role, it threatens freedom in other areas.

- Ch. 3 The Control of Money
- The **Great Depression** in the United States, far from being a sign of the inherent instability of the private enterprise system, is a testament to how much harm can be done by mistakes on the part of a few men when they wield vast power over the monetary system of a country.
 - Ch. 3 The Control of Money
- To paraphrase Clemenceau, money is much too serious a matter to be left to the Central Bankers.
 - Ch. 3 The Control of Money
- With respect to teachers' salaries Poor teachers are grossly overpaid and good teachers grossly underpaid. Salary schedules tend to be uniform and determined far more by seniority.
 - Ch. 6 The Role of Government in Education
- The major disadvantage of the proposed negative income tax is its political implications. It establishes a system under which taxes are imposed on some to pay subsidies to others. And presumably, these others have a vote.
 - Ch. 12 The Alleviation of Poverty
- The heart of the liberal philosophy is a belief in the dignity of the **individual**, in his **freedom** to make the most of his capacities and opportunities according to his own lights, subject only to the proviso that he not interfere with the freedom of other individuals to do the same.
 - Ch. 12 The Alleviation of Poverty
- As **Adam Smith** once said, "There is much ruin in a nation". Our basic structure of values and the interwoven network of free institutions will withstand much. I believe that we shall be able to preserve and extend freedom despite the size of the military programs and despite the economic powers already concentrated in Washington. But we shall be able to do so only if we awake to the threat that we face, only if we persuade our fellowmen that free institutions offer a surer, if perhaps at times a slower, route to the ends they seek than the coercive power of the state. The glimmerings of change that are already apparent in the intellectual climate are a hopeful augury.
 - Ch. 13 Conclusion

1.2 *Free to Choose* (1980)

- The key insight of **Adam Smith's** *Wealth of Nations* is misleadingly simple: if an exchange between two parties is voluntary, it will not take place unless both believe they will benefit from it. **Most economic fallacies derive from the neglect of this simple insight, from the tendency to assume that there is a fixed pie, that one party can gain only at the expense of another.**
 - Ch. 1 "The Power of the Market", page 13
- The **price** system works so well, so efficiently, that we are not aware of it most of the time. We never realize how well it functions until it is prevented from functioning, and even then we seldom recognize the source of the trouble.
 - Ch. 1 "The Power of the Market"
- Prices perform three functions in organizing economic activity: first, they transmit information; second, they provide an incentive to adopt those methods of production that are least costly and thereby use available resources for the most highly valued purposes; third, they determine who gets how much of the product—the distribution of income. These three functions are closely interrelated.
 - Ch. 1 "The Power of the Market"
- The price system transmits only the important information and only to the people who need to know.
 - Ch. 1 "The Power of the Market"
- Whether it is in the slums of New Delhi or in the affluence of Las Vegas, it simply isn't fair that there should be any losers. **Life is unfair** — there is nothing fair about one man being born blind and another man being born with sight. There is nothing fair about one man being born of a wealthy parent and one of an indigenous parent. There is nothing fair about Muhammad Ali having been born with a skill that enables him to make millions of dollars one night. There is nothing fair about Marlene Dietrich having great legs that we all want to watch. There is nothing fair about any of that. But on the other hand, don't you think a lot of people who like to look at Marlene Dietrich's legs benefited from nature's unfairness in producing a Marlene Dietrich. What kind of a world would it be if everybody was an absolute identical duplicate of anybody else. You might as well destroy the whole world and just keep one specimen left for a museum. In the same way, it's unfair that Muhammad Ali should be a great fighter and should be able to earn millions. But would it not be even more unfair to the people who like to watch

him if you said that in the pursuit of some abstract idea of equality we're not going to let Muhammad Ali get more for one nights fight than the lowest man on the totem pole can get for a days unskilled work on the docks. You can do that but the result of that would be to deny people the opportunity to watch Muhammad Ali. I doubt very much he would be willing to subject himself to the kind of fights he's gone through if he were to get the pay of an unskilled docker.

- From *Created Equal*, an episode of the PBS *Free to Choose* television series (1980, vol. 5 transcript).

1.3 America's Drug Forum interview (1991)



If you look at the drug war from a purely economic point of view, the role of the government is to protect the drug cartel. That's literally true.

"America's Drug Forum" (1991)

- **The proper role of government is exactly what John Stuart Mill said in the middle of the 19th century in *On Liberty*. The proper role of government is to prevent other people from harming an individual.** Government, he said, never has any right to interfere with an individual for that individual's own good. **The case for prohibiting drugs is exactly as strong and as weak as the case for prohibiting people from overeating. We all know that overeating causes more deaths than drugs do.** If it's in principle OK for the government to say you must not consume drugs because they'll do you harm, why isn't it all right to say you must not eat too much because you'll do harm? Why isn't it all right to say you must not try to go in for skydiving because you're likely to die? Why isn't it all right to say, "Oh, skiing, that's no good, that's a very dangerous sport, you'll hurt yourself"? Where do you draw the line?
- It does harm a great many other people, but primarily because it's prohibited. There are an enormous number of innocent victims now. You've got the people whose purses are stolen, who are bashed over the head by people trying to get enough money for their next fix. You've got the people killed in the random drug wars. You've got the corruption of the legal establishment. You've got the innocent victims who are taxpayers who have to pay for more and more prisons, and more and more prisoners, and more and more police. You've got the rest of us who don't get decent law enforcement because all the law enforcement officials are busy trying to do the impossible. And, last, but not least, you've got the people of Colombia and Peru and so on. What business do we have destroying and leading to the killing of thousands of people in Colombia because we cannot enforce our own laws? If we could enforce our laws against drugs, there would be no market for these drugs.
- **It's a moral problem that the government is making into criminals people, who may be doing something you and I don't approve of, but who are doing something that hurts nobody else.** Most of the arrests for drugs are for possession by casual users. Now here's somebody who wants to smoke a marijuana cigarette. If he's caught, he goes to jail. Now is that moral? Is that proper? I think it's absolutely disgraceful that our government, supposed to be our government, should be in the position of converting people who are not harming others into criminals, of destroying their lives, putting them in jail. That's the issue to me. The economic issue comes in only for explaining why it has those effects. But the economic reasons are not the reasons.
- **If you look at the drug war from a purely economic point of view, the role of the government is to protect the drug cartel.** That's literally true.
 - One role of prohibition is in making the drug market more lucrative.

2 Disputed

- The business of business is business.
 - Widely attributed to Friedman, and sometimes cited as being in his work *Capitalism and Freedom* (1962) this is also attributed to Alfred P. Sloan, sometimes with citation of a statement of 1964, but sometimes with attestations to his use of it as a motto as early as 1923.

3 Misattributed

- There's no such thing as a free lunch.
 - Also often misattributed to Robert A. Heinlein because both helped popularize the expression – Friedman with a book with that title. The phrase actually dates to at least the 1930s.
- Corruption is government intrusion into market efficiencies in the form of regulations.
 - Frequently misattributed to Milton Friedman based on a monologue from the 2005 movie *Syriana*

4 Quotes about Friedman

Alphabetized by author

- In fact, the only person to rival Friedman for policy influence in the twentieth century is John Maynard Keynes, who had a strikingly different view of the role of government. Keynes was influential because he advocated more government intervention into what he perceived as poorly functioning private economies caught up in the Great Depression. In contrast to Keynes, Friedman put the main blame for the Depression on government failures, especially of monetary policy. Hence, the Depression did not make Friedman a fan of big government. He also found in the Federal Reserve's failure to prevent deflation an argument in favor of monetary rules. As the world evolved—with low inflation becoming the major mission of central banks and free markets and secure property rights becoming the main policies to promote economic growth—Friedman surely won the intellectual battle.
 - Robert Barro, Ch. 1 “Thoughts on Friends and Other Noteworthy Persons”, in *Nothing Is Sacred* (2002)
- It was actually a gradual process. Certainly Milton Friedman had a great influence on me here. He was by far the greatest living teacher I have ever had. He really opened my eyes to economics as a powerful engine of analysis. Milton Friedman was just number one. He was a great man.
 - Gary S. Becker, in Karen Ilse Horn(ed.), *Roads to Wisdom, Conversations with Ten Nobel Laureates in Economics* (2009)
- Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve System. I would like to say to Milton and Anna: Regarding the Great Depression. You're right, we

did it. We're very sorry. But thanks to you, we won't do it again.

- Ben Bernanke, “Remarks by Governor Ben S. Bernanke at the Conference to Honor Milton Friedman, University of Chicago, Chicago, Illinois,” *federalreserve.gov* (2002-11-08)
- The Bank [of Canada] gave it a college try, it really did. It just doesn't work that way.
 - John Crow, former governor of the Bank of Canada, on implementing Friedman's theories; quoted by “In Pictures”. *The Globe and Mail Online*. 2006-11-18. Retrieved on 2006-11-20.
- The classical support for as-if models in the social sciences stems from the economist Milton Friedman (1953), who, like the psychologist B. F. Skinner, saw little value in modeling cognitive processes. In contrast, our aim is to understand actual decision processes, not only the outcomes. There is a good reason for this. Without modeling the cognitive blade of Simon's scissors, it is utterly impossible to determine in what environments heuristics succeed, that is, their ecological rationality.
 - Gerd Gigerenzer, Ralph Hertwig, and Thorsten Pachur, *Heuristics: The Foundations of Adaptive Behavior*
- His views have had as much, if not more, impact on the way we think about monetary policy and many other important economic issues as those of any person in the last half of the twentieth century.
 - Alan Greenspan, Federal Reserve Board Speech (5 September 1997)
- I don't know what monetarism is. If monetarism just means a good old-fashioned quantity theory, of course it has not failed. If it means the particular version of Milton Friedman, I think it has because he imagines that he can achieve — ascertain — a clear quantity relationship between a measurable quantity of money and the price level. I don't think that is possible. In fact, just about 40 years ago in the opening sentences of my book, *Prices and Production*, I wrote that it would be a great misfortune if people ever cease to believe in the quantity theory of money. It would be even worse ever to believe it literally. And that's exactly what Milton Friedman does.
 - Friedrich Hayek, in “Interview with F. A. Hayek”, *Cato Policy Report* (February 1983).
- I don't like criticizing Milton Friedman not only because he is an old friend but because, outside of

monetary theory, we are in complete agreement. Our general views on what is desired and what is not are almost identical until we get on to money. But if I told him what I said before, that I very much doubt whether monetary policy has ever done anything good, he would disagree. He personally is convinced that a good monetary policy is a foundation for everything.

- Friedrich Hayek, in Exclusive Interview with F.A. Hayek by James U. Blanchard III, *Cato Policy Report* (May/June 1984)
- Although Humans are not irrational, they often need help to make more accurate judgments and better decisions, and in some cases policies and institutions can provide that help. These claims may seem innocuous, but they are in fact quite controversial. As interpreted by the important Chicago school of economics, faith in human rationality is closely linked to an ideology in which it is unnecessary and even immoral to protect people against their choices. Rational people should be free, and they should be responsible for taking care of themselves. Milton Friedman, the leading figure in that school, expressed this view in the title of one of his popular books: *Free to Choose*.
 - Daniel Kahneman, *Thinking, Fast and Slow*
- The basic error, which was widespread long before Friedman and the new monetarism, lies in the assumption that regards the money supply as the source of the demand for goods and services.
 - Nicholas Kaldor, “How Monetarism Failed” (1985)
- Keynesian theory initially prevailed because it did a far better job than classical orthodoxy of making sense of the world around us, and Friedman’s critique of Keynes became so influential largely because he correctly identified Keynesianism’s weak points. And just to be clear: although this essay argues that Friedman was wrong on some issues, and sometimes seemed less than honest with his readers, I regard him as a great economist and a great man.
 - Paul Krugman, “Who Was Milton Friedman?” *The New York Reivew of Books* (February 15, 2007)
- In the long run, great men are remembered for their strengths, not their weaknesses, and Milton Friedman was a very great man indeed—a man of intellectual courage who was one of the most important economic thinkers of all time, and possibly the most brilliant communicator of economic ideas to the general public that ever lived. But there’s a good case for arguing that Friedmanism, in the end, went too far, both as a doctrine and in its practical applications. When Friedman was beginning his career as a public intellectual, the times were ripe for a counterreformation against Keynesianism and all that went with it. But what the world needs now, I’d argue, is a counter-counterreformation.
 - Paul Krugman, “Who Was Milton Friedman?” *The New York Reivew of Books* (February 15, 2007)
- It’s a tribute to the importance of Friedman’s work that questions about his legacy bear so directly on contemporary policy issues. But for that reason it’s also important not to engage in hagiography. Friedman was a great economist, but like every other great economist in history, he was also wrong about some important things.
 - Paul Krugman, Response to Nelson and Schwartz, *Journal of Monetary Economics* 55 (2008)
- Now, I don’t want to put Friedman on a pedestal. In fact, I’d argue that the experience of the past 15 years, first in Japan and now across the Western world, shows that Keynes was right and Friedman was wrong about the ability of unaided monetary policy to fight depressions. The truth is that we need a more activist government than Friedman was willing to countenance. The point, however, is that modern conservatism has moved so far to the right that it no longer has room for even small concessions to reality. Friedman tried to save free-market conservatism from itself — but the ideologues who now dominate the G.O.P. are beyond saving.
 - Paul Krugman, “Milton Friedman, Unperson”, *The New York Times* (August 11, 2013)
- I don't give a good goddamn what Milton Friedman says. He's not running for re-election!
 - Richard Nixon, President of the United States, quoted by “A Capital Thinker”. *Stanford Magazine Online*. January/February 2007. Retrieved on 2008-07-20.
- There is as an unearthly, mystical element in Friedman’s thought. The mere existence of a stock of money somehow promotes expenditure. But insofar as he offers an intelligible theory, it is made up of elements borrowed from Keynes.
 - Joan Robinson, *Economic Heresies*, Chapter 6, Prices and Money, p. 87

- I frequently tell students: If you buy only one economics book, it should be *A Monetary History*. The book is obviously important for our understanding of the Great Depression, but its impact goes far beyond that. Friedman and Schwartz show us that monetary events and monetary policy have affected real output throughout American history.
 - Christina Romer, *An interview with... Christina Romer on Learning from the Great Depression*
- It's that the profession has gone very much to the right ideologically. And guess who was the most important person responsible for that ... it was Milton Friedman, not Friedrich Hayek.
 - Paul Samuelson, in Karen Ilse Horn(ed.), *Roads to Wisdom, Conversations with Ten Nobel Laureates in Economics* (2009)
- Today we see how utterly mistaken was the Milton Friedman notion that a market system can regulate itself... Everyone understands now, on the contrary, that there can be no solution without government. The Keynesian idea is once again accepted that fiscal policy and deficit spending has a major role to play in guiding a market economy. **I wish Friedman were still alive so he could witness how his extremism led to the defeat of his own ideas.**
 - Paul Samuelson, "Don't Expect Recovery Before 2012" (16 January 2009)
- **Everybody loves to argue with Milton, particularly when he isn't there.**
 - George Shultz, quoted in "Commanding Heights". WGBH (PBS). 2 October 2006. Retrieved on 2006-11-19.
- Everything reminds Milton of the money supply. Well, everything reminds me of sex, but I keep it out of the paper.
 - Robert Solow, in 1966, as quoted in "Who Was Milton Friedman?" by Paul Krugman in *The New York Review of Books* (15 February 2007)
- All the way back, I thought about the fact that I would be held responsible for what was said in that lecture, even though I never heard it. Thereafter, I was always in my seat when Milton Friedman walked in to give his lecture. On a term paper, I wrote that either (a) this would happen or (b) that would happen. Professor Friedman wrote in the margin: "Or (c) your analysis is wrong."

"Where was my analysis wrong?" I asked him. "I didn't say your analysis was wrong," he replied. "I just wanted you to keep that possibility in mind."

 - Thomas Sowell, "Milton Friedman at 90" (2002)
- In his early research, Galbraith attempted to explain what had brought on the Great Crash of 1929 – including the role of the stock market's speculative greed fed by (what would today be called) irrational exuberance. Friedman ignored speculation and the failure of the labor market as he focused on the failures of the Federal Reserve. To Friedman, government was the problem, not the solution.
 - Joseph E. Stiglitz, "John Kenneth Galbraith understood capitalism as lived – not as theorized", *The Christian Science Monitor* (December 28, 2006)
- While Friedman never really appreciated the limitations of the market, he was a forceful critic of government. Yet history shows that in every successful country, the government had played an important role. Yes, governments sometimes fail, but unfettered markets are a certain prescription for failure.
 - Joseph E. Stiglitz, "John Kenneth Galbraith understood capitalism as lived – not as theorized", *The Christian Science Monitor* (December 28, 2006)
- Friedman, go home! Friedman, go home! Long live the people of Chile! Freedom! Stop the capitalism!
 - Protester in the audience at the Nobel prize ceremony 1976

5 External links

- The Friedman Foundation
- Brief biography at the official Nobel Prize website
- Brief biography at The Hoover Institution on War, Revolution and Peace, (Stanford University)
- PBS interview, profile and video
- Video of September 3, 2000 BookTV 'In Depth' interview
- The Initiative on Chicago Price Theory
- "Best of Both Worlds", interview in *Reason* by Brian Doherty
- "The Business Community's Suicidal Impulse" essay in the *Cato Policy Report* (March/April 1999)

- Friedman on drug prohibition
- Friedman's views of the Chilean government
- Uncommon Knowledge interview on Libertarianism
- Transcript and Video
- A video presentation of Friedman on freedom and the government

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